



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

WATER AND WASTEWATER

IN THE MATTER OF THE PETITION OF)	ORDER ADOPTING INITIAL
LAKE VALLEY WATER COMPANY)	DECISION/SETTLEMENT
FOR AN INCREASE IN RATES FOR)	
WATER SERVICE AND OTHER)	BPU DOCKET NO. WR04070722
TARIFF CHANGES)	OAL DOCKET NO. PUCRS 06940-2004S

(SERVICE LIST ATTACHED)

BY THE BOARD:

On July 29, 2004, pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.12, Lake Valley Water Company (Lake Valley or Company), a public utility of the State of New Jersey filed a petition with the Board of Public Utilities (Board) seeking approval of an increase in rates and charges for water service.

Lake Valley serves approximately 543 customers in a portion of the Township of Pemberton, Burlington County, New Jersey.

The Company's rate request would have resulted in an increase in total revenues of \$128,173 or 47.9% over annual pro forma present revenues for the period ending June 30, 2004. After extensive settlement discussions the Company, the Ratepayer Advocate (RPA), and Board Staff (Staff) (collectively, the Parties), an increase of \$70,000 representing a 26.15% increase over current revenues was agreed to and is approved herein by this Order.

PROCEDURAL HISTORY

On August 18, 2004, this matter was transmitted to the Office of Administrative Law (OAL) where it was assigned to Administrative Law Judge (ALJ) W. Todd Miller. A pre-hearing conference was conducted by ALJ Miller on September 30, 2004.

A public hearing was held on November 5, 2004, at the Pemberton Township municipal building. Approximately 35 to 40 members of the public were in attendance with testimony from eight of the attendees. The public comments focused on increasing water rates, in particular, the fixed charge portion of the rate, and water quality issues.

Subsequent to the public hearing, the Parties engaged in settlement negotiations. As a result of these discussions, the Parties reached a settlement on all issues (Stipulation or Settlement). There are no other Intervenor or Participants in this proceeding.

ALJ Miller issued his Initial Decision recommending adoption of the Stipulation executed by the Parties, finding that the Parties had voluntarily agreed to the Settlement, and that the Settlement fully disposed of all issues in the proceeding and is consistent with the law.

STIPULATION

As more fully set forth in the attached Stipulation¹, the Parties agreed that:

- a) The twelve month period ending June 30, 2004, adjusted for known and measurable changes, is a reasonable test year (Settlement Paragraph 1).
- b) The capital structure and weighted cost of the debt and equity components thereof yield an overall rate of return of 8.58%, inclusive of a common equity return of 9.75%, as depicted in Schedule A attached to the Stipulation (Settlement Paragraph 2).
- c) A rate base of \$213,182 is reasonable based on the twelve-month test year ending June 30, 2004, adjusted for known and measurable changes (Settlement Paragraph 3).
- d) The revenue increase is stipulated at \$70,000 and is shown on Schedule A of the Stipulation. The revenue requirement increase of \$70,000 represents a 26.15% increase over current rate revenues of \$267,710. The Tariff Design for the increase is shown on Schedule B of the Stipulation (Settlement Paragraph 5).
- e) The revenue requirement of \$337,710 (\$267,710 + \$70,000) is sufficient to allow the Company to continue to provide safe, adequate and proper service to the Company's customers and the Company further attests that the revenue requirement agreed to in the Settlement is sufficient to allow the Company to complete the Emergency Response Plan project, which is anticipated to be included in rate base in the next rate proceeding filed by the Company (Settlement Paragraph 6).
- f) The Company will prepare tariff sheets implementing the settlement agreement for submission to Board Staff and the Division of the Ratepayer Advocate for review and comment, and subsequent review by the Board (Settlement Paragraph 7).

¹ Cited paragraph references are in the settlement document. This is only a summary, the full settlement document controls, subject to the Board's findings and conclusions contained herein.

- g). In addressing comments received at the public hearing, the rate design will be such that the usage charge will be increased by 30.70% while the fixed charge for residential customers is increased by 14.99%. This rate design will allow customers to better control their bills and encourage conservation, as opposed to a rate design with a higher fixed charge (Settlement Paragraph 8).
- h) The rate impact on the average residential customer using 15,000 gallons of water per quarter will be an increase in his or her quarterly bill from \$84.58 to \$105.30, an increase of \$20.72 (or \$6.91 per month). This equates to a 26.15%² increase (Settlement Paragraph 9).
- i) The Company agrees not to implement any rate change until the Settlement is voted upon by the Board, notwithstanding the fact that the initial suspension period with respect to the Company's rate request expires on January 10, 2005 (Settlement Paragraph 10).
- j) The Company agrees to not file another rate increase for a period of at least two years following final approval of the Stipulation, unless compelled to as a result of unforeseen emergency or emergent financial or economic events (Settlement Paragraph 11).

DISCUSSION AND FINDINGS

As a result of the Stipulation, an average residential customer using 60,000 gallons of water per year will experience an increase from \$338.32 per year (\$84.58 per quarter) to \$421.20 per year, (\$105.30 per quarter). This represents an annual increase of 24.5% or \$82.88 (\$20.72 per quarter).

The Board having reviewed ALJ Miller's Initial Decision and the Stipulation FINDS that the Parties have voluntarily agreed to the Stipulation and that the Stipulation fully disposes of all issues in this proceeding and is consistent with the law. The Board FINDS the Stipulation to be reasonable and in the public interest.

The Board HEREBY ADOPTS the ALJ's Initial Decision and the Stipulation attached, hereto, as its own incorporating by reference the terms and conditions as if fully set forth at length herein, subject to the following:

- 1) The test year shall be the twelve-month period ending June 30, 2004.
- 2) The return on common equity shall be 9.75%, resulting in an overall rate of return of 8.58%.
- 3) The rate of return of 8.58% shall result in an overall additional revenue requirement of \$70,000.
- 4) The rate base shall be \$213,711.

² Paragraph nine of the Stipulation states that the increase to residential customer is 26.15%; however, the actual increase is 24.5%. The 26.15% increase is the overall increase in revenues.

- 5) The revenue requirement of \$337,710 (\$267,710 current revenues + \$70,000 additional revenues) is sufficient to allow the Company to continue to provide safe, adequate and proper service to its customers, and is sufficient to allow the Company to complete the Emergency Response Plan project.
- 6) The Company shall not implement any rate change until the Settlement and Initial Decision are acted upon by the Board, notwithstanding the fact that the initial suspension period with respect to the Company's rate request expired on January 10, 2005.
- 7) The Company shall not file for another rate increase for a period of at least two years following final approval of the Stipulation by the Board, unless compelled to do so as a result of unforeseen emergency or emergent financial or economic events.
- 6) The Company shall file a new tariff with Board Staff and the Ratepayer Advocate for their review and comment, in conformity with the Stipulation, within ten (10) days of the effective date of this Order.

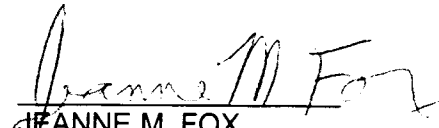
The Board HEREBY ORDERS the Company to submit a complete revised tariff conforming to the terms and condition of this Order within twenty (20) days of the date of this Order.

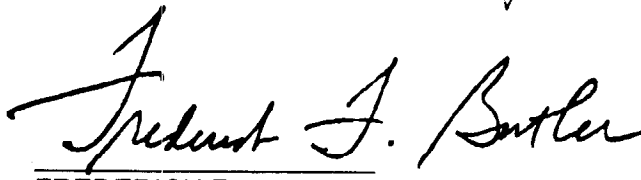
The effective date of this Order is as dated below.

DATED:

2/23/05

BOARD OF PUBLIC UTILITIES
BY:

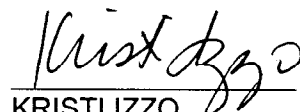

JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

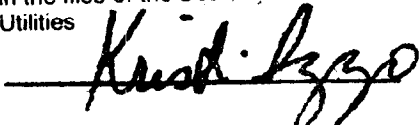

CONNIE O. HUGHES
COMMISSIONER


JACK ALTER
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



IN THE MATTER OF THE PETITION OF LAKE VALLEY WATER COMPANY
FOR AN INCREASE IN RATES FOR WATER SERVICE
AND OTHER TARIFF CHANGES

BPU DOCKET NO. WR04070722
OAL DOCKET NO. PUCRS 06940-2004S

SERVICE LIST

Kristine W. Holt, Esq.
1237 Haddonfield-Berlin Road
Voorhees, NJ 08043

John G. Stroka, President
Lake Valley Water Company
1237 Haddonfield-Berlin Road
Voorhees, NJ 08043

Susan McClure
Division of Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, NJ 07101



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW

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NEWARK, N.J.

CNIS
BESLOW
RPA
SLUTZKY, J. MG.
BELLO, C. DAG.
PATEL, C. OAG-
QUIROLO, J. LEGAL
KAMMER, M. WOS
WJS

INITIAL DECISION

SETTLEMENT

OAL DKT. NO. PUC 6940-04

AGENCY DKT. NO. WR 04070722

**I/M/O THE PETITION OF LAKE VALLEY WATER
COMPANY FOR AN INCREASE IN RATES FOR
WATER SERVICE AND OTHER TARIFF CHANGES,**

Petitioner.

Unofficial
Copy

Kristine W. Holt, Esq., for petitioner

Cristina Patel and Jeffrey Slutzky, Deputy Attorneys General, for Board of Public
Utilities (Peter C. Harvey, Attorney General of New Jersey, attorney)

Susan McClure and Christine Juarez, Assistant Deputy Rate Payer Advocate,
appearing pursuant to *N.J.A.C. 1:1-5.4(a)2*, for Division of the Ratepayer
Advocate,

Record Closed: January 3, 2005

Decided: January 3, 2005

BEFORE W. TODD MILLER, ALJ:

This matter was transmitted to the Office of Administrative Law on September 8, 2004,
for determination as a contested case, pursuant to *N.J.S.A. 52:14B-1 to -15* and *N.J.S.A. 52:14F-1*
to -13.

The parties have agreed to a settlement and have prepared a Settlement Agreement
indicating the terms thereof, which is attached and fully incorporated herein.

JAN 13

I have reviewed the record and the terms of settlement and I **FIND:**

1. The parties have voluntarily agreed to the settlement as evidenced by their signatures or their representatives' signatures.
2. The settlement fully disposes of all issues in controversy and is consistent with the law.

I **CONCLUDE** that this agreement meets the requirements of *N.J.A.C.* 1:1-19.1 and that the settlement should be approved. I approve the settlement and therefore **ORDER** that the parties comply with the settlement terms and that these proceedings be concluded.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.

This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with *N.J.S.A. 52:14B-10*.

DATE 1-3-04


W. TODD MILLER, ALJ

Receipt Acknowledged:

DATE 1/6

BOARD OF PUBLIC UTILITIES

Mailed to Parties:

DATE _____

OFFICE OF ADMINISTRATIVE LAW

/sd



State of New Jersey
OFFICE OF ADMINISTRATIVE LAW
Quakerbridge Plaza, Building #9
Quakerbridge Road, PO Box 049
Trenton, New Jersey 08625-0049
(609) 588-6584

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PUBLIC UTILITIES
NEWARK, N.J.

SOUTH

Date: 1/5/2005

Re: Initial Decisions for Receipt

Receipt of the following decisions from the Office of Administrative Law (as well as a copy of this form) is acknowledged as of the date indicated below:

OAL Docket No. PUC

Case Name

6940-04

Lake Valley Water Company

Board of Public Utilities
2 Gateway Center
Newark, New Jersey 07102

Date: 1/6/05

Regina Coulson
Board of Public Utilities

*the date
wrong from
NJ.*

RECEIVED

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STATE OF NEW JERSEY
OFFICE OF ADMINISTRATIVE LAW

STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES

IN THE MATTER OF THE PETITION : BPU DOCKET NO. WR04070722
OF LAKE VALLEY WATER COMPANY :
FOR AN INCREASE IN RATES FOR : OAL DOCKET NO. PURCS 06940-2004S
WATER SERVICE AND OTHER :
TARIFF MODIFICATIONS : STIPULATION OF SETTLEMENT

APPEARANCES

Kristine W. Holt, Esq., on behalf of Lake Valley Water Company, Inc., Petitioner;

Cristina Patel, Deputy Attorney General, and Jeff Slutzky, Deputy Attorney General, (Peter C. Harvey, Attorney General of New Jersey) on behalf of the Staff of the Board of Public Utilities;

Susan E. McClure, Assistant Deputy Ratepayer Advocate; Christine Juarez, Assistant Deputy Ratepayer Advocate, (Seema M. Singh, Esq., Ratepayer Advocate), Division of the Ratepayer Advocate.

Lake Valley Water Company, Inc. ("Petitioner," or "Company"), serving 543 service customers in Pemberton Township, Burlington County, New Jersey, filed a Petition with the Board of Public Utilities ("Board"), pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.12, on July 29, 2004, seeking to increase its current revenues by \$128,173, or 47.90%. The purpose of this filing was to request rate relief and to allow funding for a capital project related to the Company's Emergency Response Plan. On August 18, 2004, this matter was transmitted to the Office of Administrative Law ("OAL") where it was assigned to Administrative Law Judge (ALJ) W. Todd Miller. The Parties consisted of the Company, the Ratepayer Advocate and Board Staff.

On September 30, 2004, a telephonic pre-hearing conference was held by ALJ Miller. At

issue at the pre-hearing conference were substantive case issues, discovery deadlines and public and evidentiary hearings. Evidentiary hearing dates were set for February 9 and 10, 2005, and a public hearing date was set for November 5, 2004. Notice of the filing and of the public hearing was accomplished by mailing copies of the notice to all parties of record, to the Clerk of Pemberton Township and the Clerk of the County of Burlington within the Company's service territory, and by publication in a newspaper circulated within the Company's service territory, all in accordance with N.J.A.C. 14:1-5.12. The public hearing was held on November 5, 2004, at 7:00 pm., at the Pemberton Township Municipal Building, and approximately 35 to 40 members of the public attended. Testimony from eight attendees generally focused on the prospect of customers on fixed incomes paying increasing water rates and water quality issues. There are no interveners or participants in this matter.

A discovery and settlement conference was held at the Board on November 9, 2004, and further teleconferences were conducted on November 29, 2004, December 6, 2004 and December 8, 2004. As a result of the review and analysis of the Company's originally filed, and later revised and updated exhibits and discovery, and through negotiation conferences among the Parties, agreement has been reached on all issues in this rate case as set forth in the Stipulation of Settlement.

The Stipulation of the Parties gives recognition to the concerns of the public regarding increasing rates and consideration of conservation efforts and initiatives to be taken by the Company. It is also acknowledged that the Company has addressed the public concerns regarding water quality, and will continue to do so in the future. Accordingly, the Parties stipulate and agree that:

TEST YEAR

1. The twelve month period ending June 30, 2004, adjusted for known and measurable changes, is a reasonable test year and has been used for the purposes of this Stipulation.

CAPITAL STRUCTURE, RATE OF RETURN AND RATE BASE

2. The capital structure and weighted cost of the debt and equity components thereof yield an overall rate of return of 8.58%, inclusive of a common equity return of 9.75%. (See Schedule A attached hereto for a detailed breakdown, which is incorporated by reference herein).

3. A rate base of \$213,182 is reasonable based on the twelve-month test year ending June 30, 2004 adjusted for known and measurable changes.

OPERATING REVENUE AND EXPENSES AND REVENUE INCREASE

4. The pro forma present rate revenues are \$267,711.

5. The revenue increase is stipulated at \$70,000 and is shown on Schedule A. The Revenue requirement increase of \$70,000 represents a 26.15% increase over current rate revenues of \$267,710. The Tariff Design for the increase is shown on Schedule B, which is incorporated by reference herein. This revenue requirement increase reflects adjustments by the parties to various components of Operations and Maintenance ("O&M") expenses which include, but are not limited to, labor and labor related costs, purchased power and chemicals, rate case expenses and depreciation.

6. The revenue requirement of \$337,710 (\$267,710 + \$70,000) is sufficient to allow

the Company to continue to provide safe, adequate and proper service to the Company's customers, and the Company further attests that the revenue requirement agreed to in this Settlement is sufficient to allow the Company to complete the Emergency Response Plan project, which is anticipated to be included in rate base in the next rate proceeding filed by the Company.

7. Upon execution of this Stipulation and the submission of the same to ALJ Miller for his review and incorporation in an Initial Decision, the Company will prepare tariff sheets implementing the settlement agreement for submission to Board Staff and the Division of the Ratepayer Advocate for review and comment, and subsequent review by the Board.

8. In addressing comments received at the public hearing the increase shall be limited to a 26.15% increase, not the 47.90% sought by the Company. Furthermore, the rate design will be such that the usage charge will be increased by 30.70% while the fixed charge for residential customers is increased by 14.99%. This rate design will allow customers to better control their bills and encourage conservation, as opposed to a rate design with a higher fixed charge.

9. The rate impact on the average residential customer using 15,000 gallons of water per quarter will be an increase in his or her quarterly bill from \$84.58 to \$105.30, an increase of \$20.72 (or \$6.91 per month). This equates to a 26.15% increase.

10. The Company agrees not to implement any rate change until this Settlement is voted upon by the Board, notwithstanding the fact that the initial suspension period with respect to the Company's rate request expires on January 10, 2005.

11. Additionally, the Company agrees to not file another rate increase for a period of at least two years following final approval of this Stipulation, unless compelled to as a result of unforeseen emergency or emergent financial or economic events.

GENERAL PROVISIONS

12. Except as expressly set forth herein, this Stipulation has been made exclusively for the purpose of this proceeding and the other promises contained herein, in total or by specific items, are in no way binding upon the parties in other proceedings before the Board or in other forums, or jurisdictions, nor are the contents of this Stipulation, in total or by specific items, by inference, inclusion or deletion, in any way to be considered or used by another party as any indication of the position of any party hereto on any issue litigated or to be litigated in other proceedings. If any provisions of this Stipulation are held to be invalid or unenforceable by a court of competent jurisdiction, the remaining provisions of this Stipulation shall remain in full force and effect.

13. The Parties further agree that the purpose of this Stipulation is to reach a fair and reasonable settlement, and that the settlement will serve to avoid protracted and costly litigation of certain issues, and that with respect to any policy or other issues which were compromised in the spirit of reaching an agreement, none of the parties shall be prohibited from or prejudiced in arguing a different policy or position before the Board in any other proceeding, as such agreements pertain only to this matter and to no other matter.

14. This Stipulation contains terms, each of which is interdependent on the others and essential in its own right to the signing of this Stipulation. Each term is vital to the agreement as a whole, since the parties expressly and jointly state that they might not have signed the agreement had any term been modified by the Board in any way. Each party is entitled to certain procedures in the event that any modifications whatsoever are made to this Stipulation by the Board. If any modification is made to the terms of this Stipulation by the Board, the signatory parties have the right to be placed in the position they were in before entering into the

Stipulation. Therefore, if any modification is made to the terms of this Stipulation by the Board, each party has the option, before the implementation of any new rate resulting from this action, to either modify its own position to accept the proposed changes, or to resume the proceeding as if no agreement had been reached. It is also the intent of the Parties to this Stipulation that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to herein for the purposes of this proceeding only. The Parties to this Stipulation specifically agree that if adopted in its entirety by the Board, no appeal should be taken by them from the Order adopting same as to those issues upon which the parties have stipulated. The parties agree that the within Stipulation reflects a mutual balancing of various issues and positions and is intended to be accepted and approved in its entirety.

COUNTERPARTS

15. This Stipulation may be executed in as many counterparts as there are signatories of this Stipulation, each of which counterpart shall be an original, but all of which shall constitute one and the same instrument.

Dated: 12-23-4

LAKE VALLEY WATER COMPANY

By: Kristine W. Holt
Kristine W. Holt, Esq.

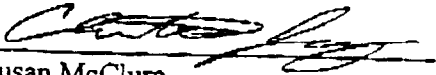
PETER C. HARVEY,
ATTORNEY GENERAL OF NEW JERSEY
ATTORNEY FOR THE STAFF OF THE
BOARD OF PUBLIC UTILITIES

Dated: _____

By: Cristina Patel
Cristina Patel,
Deputy Attorney General

SEEMA M. SINGH,
DIRECTOR OF THE DIVISION OF THE
RATEPAYER ADVOCATE

Dated: 12/23/04

By: 
Susan McClure,
Assistant Deputy Ratepayer Advocate
Christine Juarez,
Assistant Deputy Ratepayer Advocate,

SCHEDULE A
LAKE VALLEY WATER COMPANY
CALCULATION OF REQUIRED REVENUE INCREASE
FOR PHASE 1 REVENUES

<u>Item</u>	<u>Amount</u>
Rate Base	\$213,182
Rate of Return (1)	8.58%
Utility Operating Income	18,286
Total Operating Expenses (2)	319,424
Revenue Requirement	337,710
Present Rates Revenues	267,710
Required Increase (3)	\$70,000
Percent Increase	26.15%

(1) Includes Return on Equity of 9.75% on a hypothetical capital structure of 60% debt and 40% equity

(2) Excludes Depreciation on Contributed Property

(3) See Schedule B for Tariff Design

SCHEDULE B
LAKE VALLEY WATER COMPANY
Comparison of Present and Stipulated Tariffs

<u>Rate</u>	<u>Actual</u> <u>Present</u>	<u>%</u> <u>Increase</u>	<u>Stipulated</u>
<u>Quarterly Service Charges:</u>			
5/8"x3/4"	33.42	14.99%	38.43
3/4"	50.12	26.56%	63.43
1"	83.53	26.55%	105.71
2"	267.42	26.50%	338.29
4"	835.25	26.57%	1057.16
Consumption rate / 1000 gal	3.4106	30.70%	4.4578
<u>Reconnection Charge:</u>			
During Business Hours	30.00	N	30.00
Not During Business Hours	45.00	O	45.00
Bad Check Charge	16.00	N E	16.00
Public Fire Hyd Annual Rate	435.41	26.18%	549.39